

Testimony of  
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Good morning. I thank you for the opportunity to discuss the Department of Commerce's vital role in enhancing U.S.-China relations by ensuring that China fully implements and complies with its WTO obligations, and that U.S. workers and farmers realize benefits from China's market opening concessions.

As you know, I am here today representing the International Trade Administration, and my division, Market Access and Compliance (or MAC). MAC's overriding objective is to "obtain market access for American firms and workers and to achieve full compliance by foreign nations with trade agreements they sign with our country." This year, our focus is to develop an enhanced interagency compliance strategy with additional efforts aimed at the textile sector; aggressively pursue compliance with trade agreements by China and Taiwan as new WTO members; and to greatly expand our program of actively addressing issues of concern in the compliance area raised by industry and by Members of Congress.

President Bush and Secretary Evans have made compliance a priority in our trade agenda. The results of the bipartisan Trade Deficit Review Commission similarly recognized the importance of compliance. No matter how many new agreements are signed and how encouraging the new conditions received by our negotiators, these commitments are only on paper without aggressive monitoring and swift enforcement. Because China is now our fourth largest trading partner and we are its largest export market, monitoring and enforcement of our agreements with China has become a priority.

When I was in China in August of last year, I spoke to U.S. businesses about the remarkable progress that they have already achieved in selling everything from telecommunications equipment to big ticket manufacturing items. And meeting with Chinese officials, I believe that many of them are serious about attracting investment by complying with their WTO commitments.

In Shanghai, I met with the leaders and staff of the WTO Affairs Consultation Center. As part of the Center's effort to demonstrate that Shanghai will implement its WTO obligations within five years of accession, eight priorities were outlined. These included: (1) evaluating government plans; (2) setting up an information network; (3) establishing a research network; (4) creating a consulting network among government units, corporations, multiplier organization and various professional service providers; (5) providing WTO-related training programs; (6) holding an

annual conference to review progress; (7) evaluating results; and (8) establishing a professional services system. The center has something it calls the 50/100 Training Program - that is to train 100 experts in each of 50 units on WTO related matters.

The goal of the program is to produce practitioners who understand the multilateral trading system and have mastered WTO rules, understand the WTO dispute settlement processes, and have learned to speak at least one of the WTO official languages. In order to realize the three-part program plan (basic introduction, intensive studies and overseas training), the Center will need significant support, especially in developing course materials and case studies for this training and in identifying appropriate hosts for their participants during the overseas training phase (a six-month period), so it is working closely with the U.S. Consulate General in Shanghai to identify equipment and human resources needs to accomplish Center goals. The Center demonstrates that China knows that WTO compliance is important and that it will not come without commitment. Our Consulate in Shanghai, working closely with the business community and other USG agencies, has carried out a wide range of technical assistance and capacity building programs with the Shanghai WTO Center.

I have also brought with me today four books published by the Chinese government on WTO commitments and new requirements that are being sent out to regional and local officials. These and other forms of technical assistance and education are already bearing fruit by enhancing transparency beyond China's WTO obligations. One example of progress comes from an agency I met with: the State Development Planning Commission (SDPC). The SDPC now requires public comments to be solicited on price changes on services which are "essential to daily life", and the SCPC just last weekend held a hearing on holiday rail rates. These examples and many others suggest an interest and willingness to open markets and increase transparency, but as you are surely aware, China's record on these matters is mixed.

To address the many layers of coordination that allow for compliance, the WTO accession process is intended to probe and to engage non-transparent and protectionist systems to bring them up to global standards. Earlier this year, Mr. Gary Benanev of New York Life Insurance Company testified in front of this commission that China lacks the institutional structure and enforcement mechanisms necessary for the Chinese market to be accessible to foreign competition and to support domestic industries. He also noted that "the more China is rooted in the international rules-based trading system the greater the cost to China's own economy of taking political or military steps that undermine this system."<sup>1</sup> We all hope that this prognosis proves true and that WTO accession provides U.S. workers and businesses with not only greater access to the Chinese market but also an improved Chinese business environment that will embrace free and fair trade.

#### **Five-Point Compliance Plan for China:**

In response to the extensive concern about Chinese compliance, the Department has constructed a five-point Compliance Plan for China. The key provisions of the plan are to: (1) concentrate

enforcement efforts; (2) help China reform; (3) promptly address market access problems; (4) give U.S. companies a head start; and (5) aggressively monitor trade flows. We developed this plan as China's accession to the WTO accession procedure moved forward. It is now in place and we stand ready to implement the plan for all the provisions to which China agreed.

#### 1. CONCENTRATED ENFORCEMENT EFFORTS & INTERAGENCY COORDINATION:

First, we will *concentrate our enforcement efforts*. The Department has established a rapid response China Team, consisting of five key offices throughout Commerce, allowing us to pull expertise from these divisions. The Team holds semiweekly strategy sessions to review cases and implementation plans and works closely with the interagency China WTO Implementation group to discuss future interagency efforts. A new China-specific website ([www.export.gov/china](http://www.export.gov/china)) provides U.S. business with detailed information on China's WTO obligations, compliance, and market opportunities. China Team representatives regularly meet with Chinese Embassy officials here in Washington, and our Commercial Service officers in Beijing regularly meet with Chinese government officials to review specific market access and compliance problems.

The Commerce Department has a strong record in solving compliance problems across the globe in just this way -- nipping them in the bud, before they grow into serious trade disputes. Our China Office works very closely with the Trade Compliance Center, one of the divisions of my own MAC unit. The TCC gets compliance complaints from a wide variety of sources -- U.S. companies e-mail us, they write or fax us, or they find our website and submit an on-line complaint. But also, we actively go to them seeking their input -- we conduct outreach efforts to seek out any problems that may be brewing. And last year Secretary Evans invited each Member of Congress to designate one staff member to work with our Trade Compliance Center to refer constituent market access and compliance problems.

The TCC reviews every one of these trade complaints, and develops action plans to resolve them. The TCC puts together a team of experts, including country desk, industry, functional, and legal experts, who work to solve these cases.

To strengthen the force of our efforts, Commerce works hand-in-hand with other agencies to focus efforts. Last month, a new interagency China WTO Compliance committee held its inaugural meeting. Chaired by the U.S. Trade Representative (USTR), the interagency group will meet monthly, and its mandate is to coordinate the U.S. government's efforts to ensure that China complies with its WTO commitments.

Our interagency plan includes a number of components. The first is coordinated and focused information gathering and monitoring by officials from the State Department, Commerce Department, Agriculture Department, and the U.S. Customs Service in Washington, our Embassy in Beijing, consulates in Shanghai, Guangzhou, Shenyang, Chengdu and Hong Kong, and the U.S. Mission in Geneva. We will also, on an interagency basis, maintain regular dialogues with

other WTO members, engage in outreach to U.S. business about their new opportunities and rights, provide the Chinese with technical assistance, participate in the WTO's Transitional Review Mechanism Process, help facilitate Congressional oversight, and enforce U.S. rights through the WTO dispute settlement process where appropriate.

## 2. ASSISTING IN CHINA'S REFORM EFFORTS:

The Department also intends to *help in China's reform efforts*. The whole of the U.S. government involved in China policy, and the Commerce Department in particular, know how important technical assistance programs are in creating market opportunities for U.S. companies. And with China's accession to the WTO, U.S. technical assistance programs put us in a position both to help the Chinese comply with their WTO obligations as well as increase U.S. market share in China in relation to third countries.

We have already initiated a series of training programs for Chinese officials on WTO-related issues of concern to U.S. business. Our first team traveled to Beijing and Shanghai in the fall of 2000 to review China's future WTO obligations in areas like standards, intellectual property rights and anti-dumping requirements with Chinese officials and the resident U.S. business community. In early 2001, a half-dozen sessions were held in Washington for Chinese officials, on topics ranging from e-commerce regulation to corporate mergers and acquisitions, to WTO anti-dumping rules.

Subsequently, China Team officers traveled to China with the American National Standards Institute for seminars in Beijing and Xian, organized Intellectual Property Rights Enforcement Training sessions in Shenyang, Hangzhou, and Xiamen, and conducted information technology and semiconductor seminars in Beijing. A Medical Equipment Standards program was held jointly with the EU in Kunming, China in August.

Now that China has officially joined the WTO, our China Office is preparing a series of up to half-a-dozen technical assistance programs in Fiscal Year 2002, including training in sector-specific areas, as well as more general rule of law issues, including a program on the Rule of Law for Distribution and Franchising in Beijing and Guangzhou. We are also exploring the possibility of posting a website in Beijing for Chinese officials and U.S. businesses, which will provide WTO implementation and compliance guidance.

## 3. PROMPTLY ADDRESSING MARKET ACCESS PROBLEMS:

The third element is *promptly addressing market access problems*. Solving commercial problems, before they escalate to the formal application of U.S. trade law or use of the WTO dispute settlement process, is in the interest of everyone -- U.S. companies, and both the U.S. and Chinese governments. To this end, MAC and the U.S. and Foreign Commercial Service developed a guide for U.S. companies on "Dispute Avoidance and Dispute Resolution in China", and recently, Commerce staff reviewed the arbitration process in China and will make

recommendations for improvements at the next U.S.-China Joint Commission on Commerce and Trade (JCCT) meeting.

#### 4. GIVE U.S. COMPANIES A HEAD START:

Fourth in our five-point plan, is to *give U.S. companies a head start*. In the Fall of 2001, Commerce held a dozen seminars for business people on the expected changes in the Chinese market after the Doha Ministerial and on the type of compliance support that we are able to provide. We want U.S. companies to be aware of their opportunities and rights in China. In addition to this general information, the Department also is sponsoring video conferences to connect businesses with the Commerce Staff in China, allowing for interactions with presenters and quick feedback.

Our staff are also on the look out for opportunities to focus our efforts on small and medium sized enterprises (SME's) because every aspect of an opaque or unwelcoming business environment poses a large barrier for smaller firms. One example was when our team in August 2000 organized a virtual trade mission to China's Computerworld Expo for fifteen SME's to present their products. Giving U.S. companies a head start is also going to lead us to catalogue and coordinate sales opportunities for 2008 Beijing Olympics and provide more sector reports and outreach to tailor our efforts to industry needs.

#### 5. AGGRESSIVELY MONITOR TRADE FLOW:

Finally, after four points to push exporters forward, MAC and the rest of the Department will *aggressively monitor trade flows* to ensure that imports do not catch us off guard. We have a China-specific antidumping and circumvention program to closely watch and directly address any market-altering changes as soon as they occur, as well as a subsidies group that will monitor China's provision of financial assistance and state aids to industrial enterprises to ensure that they conform with WTO commitments.

These five points are focusing our China experts to achieve the most complete results possible, but the Secretary himself is also keenly interested and involved in pushing for U.S. business when the lower channels do not open. The U.S. China Joint Commission on Commerce and Trade (or JCCT) is a cabinet-led commercial forum, which the Secretary chairs with his counterpart at China's Ministry of Foreign Trade and Economic Cooperation. The JCCT contains three ongoing working groups covering trade and investment issues, business development and industrial cooperation, and commercial law, with a side dialogue on export controls. The JCCT is planning to meet this Spring at the Secretarial level, and MAC will be able to raise its review of China's arbitration process and many other issues at the highest level. In addition to JCCT, the Secretary was represented by Deputy Secretary Bodman at the Asia Pacific Economic Conference where he met with several Chinese ministers and officials to address key issues.

Finally, an additional mechanism for ensuring Chinese compliance with its WTO commitments is the WTO's Transitional Review Mechanism (TRM). China's WTO accession agreement created this unprecedented new mechanism for reviewing China's compliance with its WTO commitments. The TRM takes place annually for the next eight years, with a final review in year ten. The TRM requires China to provide detailed information to the WTO membership, and it gives all WTO members the opportunity to raise questions about Chinese compliance with its WTO commitments.

### **Staff Commitments:**

Of course, the most important piece in making this plan work is staff, and fortunately for me, there are several levels of Commerce staff with industry and country expertise to attack problems head on. In addition to my Washington team who monitor agreements and work the problems from this end, the Foreign Commercial Service has seventeen officers in five offices in China: in Beijing, Shanghai, Guangzhou, Chengdu, and Shenyang. Working with those officers, there are approximately 70 foreign service nationals (FSN's) and Personal Service Contact (PSC) employees to assist our businesses. In 2000, our commercial staff in China counseled 3,558 firms, including 1,210 newcomers to the Chinese market (and 602 first-time exporters); hosted 56 trade missions; provided 63 Gold Key Services, arranging for U.S. company representatives to have several face-to-face meetings with different potential business partners; and submitted 28 industry sector analyses describing business conditions and opportunities in the most promising export areas. In addition, Congress has appropriated funds to establish four new commercial service positions in China to assist with the compliance effort. Our China staffs seek out specific opportunities for businesses looking to move into China, but they are also critical in our constant vigilance of possible market access and compliance problems.

### **Conclusion:**

In your invitation to me, you requested my assessment of China's willingness and ability to comply with its WTO commitments. I personally believe that the leadership of China is earnest in its commitments to play by the rules of the WTO system, even with the enormous structural challenges that WTO membership entails domestically. But it's not my job to assess a country's willingness to play by the rules. Rather, it's my job to ensure that other countries comply with our trade agreements. And the compliance plan which I outlined above will ensure that U.S. businesses will find significant new opportunities in the China market.

The Secretary has tasked the Department to bolster U.S. business as we lead forcefully in opening markets around the world to free and fair competition. We are keenly aware of our complicated responsibilities in the delicate balance of international cooperation in military, diplomatic and economic spheres.

National security, you have been told, will be enhanced by engagement both politically and economically. American corporate presence builds stronger labor standards and wages, opens

access to information, raises the standard of living, and encourages global focus in a nation that has been historically isolated. American investment means that American companies put financial, technical, and physical capabilities in China, and China will become more democratic with newly independent workers and ideas.

As these efforts move forward, Commerce will be focused on American companies and American workers to ensure that China is living up to her new and integrated world position.

I thank you again for your time and I would be happy to take questions.